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ORIGINAL

**SALT RIVER PROJECT**

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2003 OCT 31 P 1:11

**KELLY J. BARR, ESQ.**

Manager, Regulatory Affairs & Contracts

AZ CORP COMMISSION  
DOCKET CONTROL

October 31, 2003

Chairman Marc Spitzer  
Commissioner William A. Mundell  
Commissioner Jeff Hatch-Miller  
Commissioner Mike Gleason  
Commissioner Kristin K. Mayes  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

Re: Docket No. L-00000B-00-0105, Decision No. 63611

Dear Commissioners:

Enclosed please find SRP's eighth quarterly report on the status of the Santan project. This report provides up-to-date information and documentation on the status of SRP's efforts to comply with each condition contained in the Certificate of Environmental Compatibility (CEC).

As always, please feel free to contact me if you have any additional questions or concerns.

Sincerely,

Kelly J. Barr

Arizona Corporation Commission

**DOCKETED**

Enc.

OCT 31 2003

cc: Lyn Farmer, Chief Administrative Law Judge  
Ernest Johnson, Utilities Director  
Brian Bozzo, Compliance and Enforcement Manager  
Chris Kempley, Legal Director  
Brian McNeil, Executive Secretary  
Docket Control

DOCKETED BY	
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Richard H. Silverman, General Manager  
Richard M. Hayslip, Manager, Environmental, Land, Risk Management & Telecom

**BEFORE THE ARIZONA POWER PLANT  
AND TRANSMISSION LINE SITING COMMITTEE**

In the matter of the Application of Salt  
River Project Agricultural Improvement and  
Power District in conformance with the  
requirements of Arizona Revised Statutes  
Sections 40-360-03 and 40-360.06, for a  
Certificate of Environmental Compatibility  
authorizing the Expansion of its Santan  
Generating Station, located at the intersection  
of Warner Road and Val Vista Drive,  
in Gilbert, Arizona, by adding 825 megawatts  
of new capacity in the form of three combined  
cycle natural gas units, and associated  
intraplant transmission lines.

Case No. 105

Docket No. L-00000B-00-0105

Decision No. \_\_\_\_\_

**CERTIFICATE OF ENVIRONMENTAL COMPATIBILITY**

Pursuant to notice given as provided by law, the Arizona Power Plant and Transmission Line Siting Committee (the "Committee") held public hearings at the Dobson Ranch Inn, 1644 South Dobson Road, Mesa, Arizona, on September 14, 2000, and various days following, in conformance with the requirements of Arizona Revised Statutes section 40-360 *et seq.*, for the purpose of receiving evidence and deliberating on the Application of Salt River Project Agricultural Improvement and Power District ("Applicant") for a Certificate of Environmental Compatibility in the above-captioned case (the "Application").

The following members or designees of members of the Committee were present for the hearing on the Application:

Paul A. Bullis	Chairman, Designee for Arizona Attorney General Janet Napolitano
Steve Olea	Designee of Chairman of the Arizona Corporation Commission

Richard Tobin	Designee for the Arizona Department of Environmental Quality
Dennis Sundie	Designee for the Director of the Department of Water Resources
Mark McWhirter	Designee for the Director of the Energy Office of the Arizona Department of Commerce
George Campbell	Appointed Member
Jeff Mcguire	Appointed Member
A. Wayne Smith	Appointed Member
Sandie Smith	Appointed Member
Mike Whalen	Appointed Member

The Applicant was represented by Kenneth C. Sundlof, Jr., Jennings, Strouss & Salmon PLC. There were seventeen intervenors: Arizona Utilities Investor Association, by Ray Heyman; Arizona Corporation Commission Staff, by Janice Alward; Arizona Center for Law in the Public Interest, by Timothy Hogan, Mark Kwiat, Elisa Warner, David Lundgreen, Cathy LaTona, Sarretta Parrault, Mark Sequeira, Cathy Lopez, Michael Apergis, Marshal Green, Charlie Henson, Jennifer Duffany, Christopher Labban, Bruce Jones and Dale Borger. There were a number of limited appearances.

The Arizona Corporation Commission has considered the grant by the Power Plant and Line Siting Committee of a Certificate of Environmental Compatibility to SRP and finds that the provisions of A.R.S. §40-360.06 have complied with, and, in addition, that documentary evidence was presented regarding the need for the Santan Expansion Project. Credible testimony was presented concerning the local generation deficiency in Arizona and the need to locate additional generation within the East Valley in order to minimize transmission constraints and ensure reliability of the transmission grid. The evidence included a study that assessed the needs of the East Valley. The analysis

found that the East Valley peak load currently exceeds the East Valley import capability and within the next 5 years the East Valley load will exceed the load serving capability.

Additional testimony was presented regarding SRP's projected annual 3.7% load growth in its service territory. By 2008, SRP will need approximately 2700 MW to meet its load. This local generation plant will have power available during peak periods for use by SRP customers.

At the conclusion of the hearing and deliberations, the Committee, having received and considered the Application, the appearance of Applicant and all intervenors, the evidence, testimony and exhibits presented by Applicant and all intervenors, the comments made by persons making limited appearances and the comments of the public, and being advised of the legal requirements of Arizona Revised Statutes Sections 40-360 to 40-360.13, upon motion duly made and seconded, voted to grant Applicant the following Certificate of Environmental Compatibility (Case No. L-00000B-00-0105):

Applicant and its assignees are granted a Certificate of Environmental Compatibility authorizing the construction of an 825 megawatt generating facility consisting of three combined cycle units with a total net output of 825 megawatts together with related infrastructure and appurtenances, in the Town of Gilbert, on Applicant's existing Santan Generating Station site, and related switchyard and transmission connections, as more specifically described in the Application (collectively, the "Project"). Applicant is granted flexibility to construct the units in phases, with different steam turbine configurations, and with different transmission connection configurations, so long as the construction meets the general parameters set forth in the application.

This certificate is granted upon the following conditions:

1. Applicant shall comply with all existing applicable air and water pollution control standards and regulations, and with all existing applicable ordinances, master plans and regulations of the State of Arizona, the Town of Gilbert, the County of Maricopa, the United States, and any other governmental entities having jurisdiction.

**Status – The Aquifer Protection Permit (APP) was submitted to ADEQ on August 28, 2003. We are waiting to hear back to ascertain if additional information or clarification is required. SRP is in the process of preparing a Reclaimed Water Permit for submittal to ADEQ next month. ADEQ is requiring the APP and the Reclaimed Water Permit for the discharge into the RWCD irrigation system. Discussions and negotiations continue on the AZPDES permit application that was submitted on July 1, 2003 for discharge to the SRP irrigation system with ADEQ.**

2. This authorization to construct the Project will expire five (5) years from the date the Certificate is approved by the Arizona Corporation Commission unless construction of the Project is completed to the point that the project is capable of operating at its rated capacity; provided, however, that Applicant shall have the right to apply to the Arizona Corporation Commission for an extension of this time limitation.

**Status ~ The Santan Expansion Project is currently under construction. Approximately 400 workers are presently on site. The pit area where the major plant components, such as the HRSGs, will be located, is complete and substructures (foundations, underground piping and electrical systems) are nearly complete. Construction of the natural gas pipeline is underway. The landscape contractor is working to meet an accelerated schedule for the north and west side berms (see Conditions 7, 9 & 28).**

**The first two units (which are collectively designated as Santan Unit 5 because they are configured as a "two on one" unit) are expected to be in commercial operation in the summer of 2005. Although the gross output and net load of the units cannot be determined until they are tested, the sizes of the generating units shown below are approximate and are based on General Electric guaranteed net performance under the following conditions: 107 degrees F @ 27% relative humidity.**

<b>Unit 5A Gas turbine</b>	<b>-- 148 MW</b>
<b>Unit 5B Gas turbine</b>	<b>-- 148 MW</b>
<b>Unit 5S Stm turbine</b>	<b>-- 293 MW</b>
<b>Total:</b>	<b>-- 589 MW</b>

**The auxiliary load will need to be deducted from this total to determine the total net output of the units.**

3. Applicant's project has two (2) approved transmission lines emanating from its power plant's transmission switchyard and interconnecting with the existing transmission system. This plant interconnection must satisfy the single contingency criteria (N-1) without reliance on remedial action such as a generator unit tripping or load shedding.

**Status ~ No update or change from July 2003 quarterly report.**

4. Applicant shall use reasonable efforts to remain a member of WSCC, or its successor, and shall file a copy of its WSCC Reliability Criteria Agreement or Reliability Management System (RMS) Generator Agreement with the Commission.

**Status ~ No update or change from July 2003 quarterly report.**

5. Applicant shall use reasonable efforts to remain a member of the Southwest Reserve Sharing Group, or its successor.

**Status ~ No update or change from July 2003 quarterly report.**

6. Applicant shall meet all applicable requirements for groundwater set forth in the Third Management Plan for the Phoenix Active Management Area.

**Status ~ No update or change from July 2003 quarterly report.**

7. With respect to landscaping and screening measures, including the improvements listed in the IGA, Applicant agrees to develop and implement a public process consistent with the process chart (Exhibit 89) presented during the hearings, modifying the dates in the IGA with the Town of Gilbert, if necessary, to correspond with the schedule in Exhibit 89.

The new Community Working Group (CWG) will consist of 12 members, selected as follows: one member selected by the Town of Gilbert, four members selected by neighborhood homeowner associations, four representatives selected by intervenors, and three members selected by SRP (not part of the aforementioned groups) who were part of the original community working group. Applicant and landscaping consultants shall act as advisors to the CWG. CWG meetings shall be noticed to and be open to the general public. The initial meeting shall take place on an evening or weekend in the Town of Gilbert.

The objective of the CWG shall be to refine the landscaping and mitigation concept plans submitted during these hearings (Exhibit 88). The CWG shall work to achieve appropriate visual mitigation of plant facilities and to facilitate the design and installation of the concept plan components so as to maximize the positive impact on the community and to increase, wherever

possible, the values of the homes in the neighboring areas. The refinement of the mitigation plans shall be reasonably consistent with the planning criteria of the Town of Gilbert, the desires of neighboring homeowner associations, and the reasonable needs of Applicant.

Applicant shall retain an independent facilitator, acceptable to the CWG, to conduct the CWG meetings. It shall be the role of the facilitator to assist in initial education and in conducting an orderly and productive process. The facilitator may, if necessary, employ dispute resolution mechanisms.

The CWG shall also assist in establishing reasonable maintenance schedules for landscaping of Applicant's plant site in public-view areas.

Applicant will develop with the Town of Gilbert a continuous fund, to be administered by the Town of Gilbert, to provide for the construction and maintenance of off-site landscaping in the areas depicted in the off-site landscaping concepts as developed by the CWG in an amount sufficient to fund the concepts in Exhibit 88 or concepts developed by the CWG, whichever is greater.

**Status ~**

**Onsite Landscaping Program ~**

***The landscape contractor was hired in May 2003 and has begun onsite landscaping activities that include shaping the berm, installing gabion walls, building masonry decorative walls, clearing the land of scrub, trimming and watering existing trees, installing irrigation facilities, planting trees on the north berm and spreading decomposed granite ground cover. See Conditions 9 and 28 status for more details.***

**HOA Offsite Landscaping Program ~**

***Nineteen (19) HOAs are within the defined radius and eligible to participate in the program. While all nineteen (19) HOAs initially agreed to participate in the program, only seventeen HOAs submitted landscaping plans. The deadline for participation in the HOA Offsite Landscaping Program was May 2003.***

***SRP will make a one-time payment to the HOAs to fund improvements to help mitigate views of the power plant. Future annual payments to the HOAs for offsite landscaping maintenance will be 5% of that portion of the one time allocation dedicated to vegetative landscaping. The annual payments will continue for a period of twenty (20) years beginning in 2004.***

***Eleven HOAs received their landscaping funding in April through September 2003. SRP provided funds to the Town of Gilbert in October 2003 for an additional three HOAs. The total funding disbursed to date is \$1,274,001. SRP has approved the funds for the remaining three HOAs. Those funds will be disbursed upon the HOAs plan submittal and approval by the Town of Gilbert.***

**Individual County Landscaping Program ~**  
**No update or change from April 2003 quarterly report.**

8. The visual mitigation efforts shall be in general compliance with the plans and concepts presented in these proceedings and constitute a commitment level by Applicant. Applicant will not reduce the overall level of mitigation as set forth in its Application and this proceeding, except as may be reasonably changed during the CWG process. The Town of Gilbert shall approve the plans agreed to by the CWG.

**Status ~ No update or change from July 2003 quarterly report.**

9. Applicant shall, where reasonable to do so, plant on site trees by the fall of 2001. Because planting of trees must await the improvement of Warner Road and the design and construction of berms, this condition will largely apply to trees on the East side of the site, and some of the trees on the North side. All landscaping will be installed prior to the installation of major plant equipment such as, but not limited to, exhaust stacks, combustion turbines, and heat recovery steam generators, except where delays are reasonably necessary to facilitate construction activities.

**Status ~ The ACC conducted a compliance inspection followed by a meeting with intervenors and SRP on September 22, 2003 to address an emergency hearing request from a neighbor and an adjacent Home Owners Association ("the Complainants") regarding landscaping/mitigation efforts. A hearing on the issues commenced on Monday, September 29, 2003. During the hearing, SRP and the Complainants were able to reach a settlement of the issues as a result of continued negotiations. Under the terms of the settlement, SRP will accelerate the landscaping work on the north and west berms and provide some additional landscape screening on the north side of Warner Road. The settlement also provides that SRP will achieve 80% completion of the landscape plan on the north berm by October 31, 2003 and 100% completion of the landscape plan for the west and north berms by February 29, 2004.<sup>1</sup> See Conditions 7 and 28 for further detail on landscaping activities.**

10. Applicant shall operate the Project so that during normal operations the Project shall not exceed the most restrictive of applicable (i) HUD residential noise guidelines, (ii) EPA residential noise guidelines, or (iii) applicable City of Tempe standards. Additionally, construction and operation of the facility shall comply with OSHA worker safety noise standards. Applicant agrees that it will use its best efforts to avoid during nighttime hours construction activities that generate significant noise. Additionally, Applicant agrees to comply with the standards set forth in the Gilbert Construction Noise

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<sup>1</sup> Although the parties have reached a settlement of the issues, a final written agreement has not yet been executed. SRP anticipates that it will be executed within the next few weeks.



Ordinance, Ordinance No. 1245, during construction of the project. In no case shall the operational noise level be more than 3 db above background noise as of the noise study prepared for this application. The Applicant shall also, to the extent reasonably practicable, refrain from venting between the hours of 10:00 p.m. and 7:00 a.m.

**Status ~ Ongoing sound level sampling has been performed along Wanda Drive (the closest residential property line to SEP/SGS) since construction began. Sound levels have been well below the Tempe/Gilbert Ordinances during normal daytime construction periods, weekends and nights. Plant operational and construction sound levels are at or below the background noise study. Onsite construction sound levels comply with the applicable OSHA regulations.**

11. Applicant will work with the Gilbert Unified School District to assist it in converting as many as possible of its school bus fleet to green diesel or other alternative fuel, as may be feasible and determined by Gilbert Unified School District, and will contribute a minimum of \$330,000 to this effort.

**Status ~ No update or change from July 2003 quarterly report.**

12. Applicant shall actively work with all interested Valley cities, including at a minimum, Tempe, Mesa, Chandler, Queen Creek and Gilbert, to fund a Major Investment Study through the Regional Public Transit Authority to develop concepts and plans for commuter rail systems to serve the growing population of the East Valley. Applicant will contribute a maximum of \$400,000 to this effort.

**Status ~ The Transit Study is essentially complete. The East Valley committee has completed their review. The Town of Gilbert will be presenting the second half of its transportation plan to SRP by the end of the 4<sup>th</sup> Quarter. This will incorporate the completed transportation study with the Town's bus route study.**

13. Within six months of approval of this Order by the Arizona Corporation Commission, Applicant shall either relocate the gas metering facilities to the interior of the plant site or construct a solid wall between the gas metering facilities at the plant site and Warner Road. The wall shall be of such strength and size as to deflect vehicular traffic (including a fully loaded concrete truck) that may veer from Warner Road to the gas-metering site.

**Status ~ SRP has completed the activity required by this condition.**

14. Applicant will use only SRP surface water, CAP water or effluent water for cooling and power plant purposes. The water use for the plant will be consistent with the water plan submitted in this proceeding and acceptable to the Department of Water Resources. Applicant will work with the Town of Gilbert to attempt to use available effluent water, where reasonably feasible.

**Status ~ Through September 2003, SRP had delivered a total of 23,468 acre feet of CAP water to the Granite Reef Underground Storage Project for future use at SEP via recovery from any SRP owned wells (Association or District) and delivered to SEP from the Eastern Canal (or onsite District wells). SRP is on target to meet or exceed the storage of 30,000 acre feet of CAP water by May 2005.**

15. Applicant agrees to comply with all applicable federal, state and local regulations relative to storage and transportation of chemicals used at the plant.

**Status ~ No update or change from July 2003 quarterly report.**

16. Applicant agrees to maintain on file with the Town of Gilbert safety and emergency plans relative to emergency conditions that may arise at the plant site. On at least an annual basis Applicant shall review and update, if necessary, the emergency plans. Copies of these plans will be made available to the public and on Applicant's web site. Additionally Applicant will cooperate with the Town of Gilbert to develop an emergency notification plan and to provide information to community residents relative to potential emergency situations arising from the plant or related facilities. Applicant agrees to work with the Gilbert police and fire departments to jointly develop on site and off-site evacuation plans, as may be reasonably appropriate. This cooperative work and plan shall be completed prior to operation of the plant expansion.

**Status ~ No update or change from July 2003 quarterly report.**

17. In obtaining air offsets required by EPA and Maricopa County, Applicant will use its best efforts to obtain these offsets as close as practicable to the plant site.

**Status ~ No update or change from July 2003 quarterly report.**

18. In order to reduce the possibility of generation shortages and the attendant price volatility that California is now experiencing, SRP will operate the facilities consistent with its obligation to serve its retail load and to maintain a reliable transmission system within Arizona.

**Status ~ No update or change from July 2003 quarterly report.**

19. Beginning upon operation of the new units, Applicant will establish a citizens' committee, elected by the CWG, to monitor air and noise compliance and water quality reporting. Applicant will establish on-site air and noise monitoring facilities to facilitate the process. Additionally Applicant shall work with Maricopa County and the Arizona Department of Environmental Quality to enhance monitoring in the vicinity of the plant site in a manner

acceptable to Maricopa County and the Arizona Department of Environmental Quality. Results of air monitoring will be made reasonably available to the public and to the citizens' committee. Applicant shall provide on and off-site noise monitoring services (at least on a quarterly basis), testing those locations suggested by the citizens' committee. The off-site air monitoring plan shall be funded by the Applicant and be implemented before operation of the plant expansion.

**Status ~ No update or change from July 2003 quarterly report.**

20. Applicant will explore, and deploy where reasonably practicable, the use of available technologies to reduce the size of the steam plumes from the unit cooling towers. This will be a continuing obligation throughout the life of the plant.

**Status ~ No update or change from July 2003 quarterly report.**

21. SRP will, where practicable, work with El Paso Natural Gas Company to use the railroad easements for the installation of the new El Paso gas line.

**Status ~ No update or change from July 2003 quarterly report.**

22. Other than the Santan/RS 18 lines currently under construction, Applicant shall not construct additional Extra High Voltage transmission lines (115kV and above) into or out of the Santan site, including the substation on the site.

**Status ~ No update or change from July 2003 quarterly report.**

23. Applicant will replace all Town of Gilbert existing street sweepers with certified PM10 efficient equipment. A PM10 efficient street sweeper is a street sweeper that has been certified by the South Coast Air Quality Management District (California) to comply with the District's performance standards under its Rule 1186 (which is the standard referenced by the Maricopa Association of Governments).

**Status ~ SRP has completed the activity required by this condition.**

24. Applicant shall work in a cooperative effort with the Office of Environmental Health of the Arizona Department of Health Services to enhance its environmental efforts.

**Status ~ No update or change from July 2003 quarterly report.**

25. Applicant shall operate, improve and maintain the plant consistent with applicable environmental regulations and requirements of the Environmental Protection Agency, the Arizona Department of Environmental Quality, Maricopa County and the Town of Gilbert.

**Status ~ No update or change from July 2003 quarterly report.**

26. Applicant shall actively work in good faith with Maricopa County in its efforts to establish appropriate standards relative to the use of distillate fuels in Valley generating facilities.

**Status ~ No update or change from July 2003 quarterly report.**

27. Applicant shall install continuous emission monitoring equipment on the new units and will make available on its website emissions data from both the existing and new units according to EPA standards. Applicant shall provide information to the public on its website in order to assist the public in interpreting the data, and provide viable information in a reasonable time frame.

**Status ~ No update or change from July 2003 quarterly report.**

28. Applicant will comply with the provisions of the Intergovernmental Agreement dated April 25, 2000 between Applicant and the Town of Gilbert, as modified pursuant to this Certificate.

**Status ~ There are eight SRP obligations noted on the IGA. The status of each obligation is as follows:**

**Improvements to Warner Road and Val Vista Road ~ Under the terms of the settlement reached between SRP and the Complainants, SRP has agreed to provide additional funds to the Rancho Cimarron Property Owners Association for additional landscape screening on the north side of Warner Road. See condition 9 status for more details.**

**Screening of the Plant ~ SRP, in conjunction with Ten Eyck Landscape Architects, has developed construction documents for the agreed onsite design. The CWG has reviewed and approved the documents. The Town review is complete. The RFP for landscape construction was issued on April 3, 2003. The contract was awarded on May 29, 2003 to Evergreen Lawn Sprinklers, Inc. Contractor mobilization was June 26, 2003. See Conditions 7 and 9 status for more details.**

**Trail Extension ~ SRP will add the trail extension on the east side of Santan and incorporate the extension in the on-site design plan.**

**Rerouting of Canal at Ray Road ~ This canal modification is complete.**

**Training Tower Removal ~ This training tower was removed in the fall of 2000.**

**Revegetation Along New RS 18 Line ~ SRP has restored any vegetation damaged or destroyed along the RS 18 line as a result of the construction of the line.**

**Dust Control Along Canals ~ SRP is in compliance with applicable PM-10 standards along SRP canal banks.**

**Offsite Tree Planting ~ The offsite landscaping programs have been developed. See Condition 7 status for more details.**

29. During the proceeding neighbors to the plant site raise significant concern about the impact of the plant expansion on residential property values. In performing each of the conditions in this order Applicant, in conjunction where applicable, with the Town of Gilbert and the plant site neighbors, shall consider and attempt to maximize the positive effect of its activities on the values of the homes in the surrounding neighborhoods.

**Status ~ Pursuant to the terms of the settlement between the Complainants and SRP, SRP has agreed to accelerate the landscaping work on the north and west berms and to provide additional landscape screening on the north side of Warner Road. See Condition 9 status for more details.**

30. Applicant shall construct the auxiliary boiler stack at such height as may be determined by air modeling requirements. Applicant shall situate the auxiliary boiler stack so that it is not visible from off the plant site.

**Status ~ This condition is no longer applicable as SRP has decided not to use an auxiliary boiler so no auxiliary boiler stack will be necessary.**

31. Applicant will construct the heat recovery steam generators ("HRSG") approximately 15 feet below grade and will construct the HRSGs so that the overall height of the HRSG module from the natural grade is no more than 80 feet.

**Status ~ As required by condition 31, the HRSGs are being constructed 15 feet below natural grade. From natural grade, the highest elevation of the HRSG modules will be approximately 71 feet, well within the 80-foot requirement of this condition.**

***In order to meet stringent noise requirements, silencers will be installed on top of the HRSG modules. The height of the HRSGs measured at the location of the tallest component will be approximately 118 feet above natural grade.***

32. Applicant will complete the installation of the dry low NOX burners on the existing units prior to the construction of the new units.

**Status ~ SRP has completed the activity required by this condition.**

33. Applicant shall not transfer this Certificate to any other entity for a period of 20 years from the date of approval by the Corporation Commission, other than as part of a financing transaction where operational responsibilities will remain with Applicant, and where Applicant will continue to operate the plant in accordance with this Certificate.

**Status ~ No update or change from July 2003 quarterly report.**

34. Applicant shall post on its website, when its air quality permit application is submitted to the Maricopa County Environmental Services Department. Also, Applicant shall post on its website any official notice that may be required to be posted in newspapers for its air quality permit application.

**Status ~ No update or change from July 2003 quarterly report.**

GRANTED this \_\_\_\_ day of February, 2001

ARIZONA POWER PLANT AND TRANSMISSION  
LINE SITING COMMITTEE

\_\_\_\_\_  
By Paul A. Bullis  
Its Chairman

**BEFORE THE ARIZONA CORPORATION COMMISSION**

In the matter of the Application of Salt	)	
River Project Agricultural Improvement and	)	
Power District in conformance with the	)	
requirements of Arizona Revised Statutes	)	
Sections 40-360-03 and 40-360.06, for a	)	Case No. 105
Certificate of Environmental Compatibility	)	
authorizing the Expansion of its Santan	)	Docket No. L-00000B-00-0105
Generating Station, located at the intersection	)	
of Warner Road and Val Vista Drive,	)	Decision No. _____
in Gilbert, Arizona, by adding 825 megawatts	)	
of new capacity in the form of three combined	)	
cycle natural gas units, and associated	)	
intraplant transmission lines.	)	
_____	)	

The Arizona Corporation Commission (Commission) has conducted its review, as prescribed by A.R.S. §40-360.07. Pursuant to A.R.S. §40-360.07(B), the Commission, in compliance with A.R.S. §40-360.06, and in balancing the broad public interest, the

need for an adequate, economical and reliable supply of electric power with the desire to minimize the effect thereof on the environment and ecology of the state;

The Commission finds and concludes that the Certificate of Environmental Compatibility should be granted upon the additional and modified conditions stated herein.

35. The Santan Expansion Project shall be required to meet the Lowest Achievable Emission rate (LAER) for Carbon Monoxide (CO), Nitrogen Oxides (Nox), Volatile Organic Carbons (VOCs), and particulate Matter less than ten micron in aerodynamic diameter (PM10). The Santan Expansion Project shall be required to submit an air quality permit application requesting this LAER to the Maricopa County Environmental Services Department.

**Status ~ No update or change from July 2003 quarterly report.**

36. Due to the plant's location in a non-attainment area, the Applicant shall not use diesel fuel in the operation of any combustion turbine or heat recovery steam generator located at the plant.

**Status ~ In May 2003, SRP filed a request with the ACC to amend Condition 36 of the Certificate of Environmental Compatibility decision for the Santan Generating Station to allow SRP to use ultra-low sulfur fuel, in emergency situations only, in the existing Santan units. SRP believes that since the date of the Santan CEC decision, the risk that natural gas supplies may be interrupted has materially increased. SRP filed this request in light of the increasing risk of natural gas curtailments and shortages, including recent FERC actions that put Arizona's natural gas deliveries at risk. This request was also made to assist SRP in meeting its Homeland Security objectives and to provide an alternate means of assuring electricity supply and voltage support in the Valley given the fact that Central Arizona is served by a single natural gas pipeline system.**

***On June 25, 2003, the ACC held a special open meeting to discuss the procedural process for the SRP application to amend the Santan Generating Station Decision No. 63611 to allow the use of ultra-low sulfur fuel at the existing plant (Units 1-4) during emergency situations. At this meeting, there was a discussion by the Commissioners that the application was premature and certain Commissioners indicated that they would prefer to defer consideration of the application until after FERC issues its final ruling to address the reallocation of natural gas transportation capacity on the El Paso Natural Gas pipeline system. As a result of the concerns expressed by some of the Commissioners, SRP agreed to voluntarily withdraw the application.***

***As indicated at the special open meeting, SRP has continued the process to revise Santan's air quality permit with the Maricopa County Environmental Services Department to allow for the use of ultra-low sulfur fuel in emergency situations in the existing Santan units. This is necessary because the air quality permit amendment process can take up to twelve months. Proceeding with the county permit process will provide for a timely examination of all air quality issues in the event that the ACC decides to revisit the issue at a later date.***

***The draft air quality permit revision application, which is currently in the public comment process, includes a condition that would allow emergency use of ultra-low sulfur fuel in the existing Santan units contingent upon ACC approval. Regardless of the outcome of the County air quality permit process, SRP will continue to fully comply with Condition 36 of the CEC for the Santan Generating Station that prohibits the use of any diesel fuel at Santan unless the ACC decides to subsequently amend the condition.***

37. In obtaining emissions reductions related to Carbon Monoxide (CO) emissions, Applicant shall, where technologically feasible, obtain those emission reductions onsite to the Santan Expansion Project.

**Status ~ No update or change from July 2003 quarterly report.**

38. Beginning upon commercial operation of the new units, Applicant shall conduct a review of the Santan Generating facility operations and equipment every five years and shall, within 120 days of completing such review, file with the Commission and all parties in this docket, a report listing all improvements which would reduce plant emissions and the costs associated with each potential improvement. Commission Staff shall review the report and issue its findings on the report, which will include an economic feasibility study, to the Commission within 60 days of receipt. Applicant shall install said improvements within 24 months of filing the review with the Commission, absent an order from the Commission directing otherwise.

**Status ~ No update or change from July 2003 quarterly report.**

39. Applicant shall provide \$20,000 to the Pipeline Safety Revolving Fund on an annual basis, thus improving the overall safety of pipelines throughout the State of Arizona.

**Status ~ No update or change from July 2003 quarterly report.**

40. Where feasible, Applicant shall strive to incorporate local and in-state contractors in the construction of the three new generation units for the expansion project.



**Status ~ Over fifty-eight local or in-state contractors have been engaged on jobs completed or in progress.**

41. Applicant shall construct a 10-foot high block wall surrounding the perimeter of the Santan plant, and appropriately landscape the area consistent with the surrounding neighborhood, unless otherwise agreed to by the Salt River Project and the Citizens Working Group.

**Status ~ No update or change from July 2003 quarterly report.**

**APPROVED AS AMENDED BY ORDER OF THE ARIZONA CORPORATION  
COMMISSION**

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Commissioner

\_\_\_\_\_  
Commissioner

In Witness hereof, I, Brian C. McNeil,  
Executive Secretary of the Arizona  
Corporation Commission, set my hand  
and cause the official seal of this  
Commission to be affixed this \_\_\_\_ day  
of \_\_\_\_\_, 2001.

By: \_\_\_\_\_  
Brian C. McNeil  
Executive Secretary

Dissent: \_\_\_\_\_